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FISCAL IMPACT STATEMENT

LS 6234

BILL NUMBER: SB 345

NOTE PREPARED: Jan 29, 2015

BILL AMENDED: Jan 29, 2015

SUBJECT: Resident Tuition Rate.

FIRST AUTHOR: Sen. Rogers

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: ☒ **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill has the following provisions:

- (1) Provides that an individual, except for certain nonimmigrants, who: (a) attends a high school in Indiana for at least three years; (b) registers as an entering student at or is currently enrolled in a state educational institution not earlier than the fall semester (or its equivalent, as determined by the state educational institution) of the 2015-2016 academic year; and (c) graduated from a high school located in Indiana or received the equivalent of a high school diploma in Indiana; is eligible for the resident tuition rate.
- (2) Requires such an individual to verify that the individual meets the criteria to receive the resident tuition rate.
- (3) Sunsets the law on June 30, 2017.

Effective Date: July 1, 2015.

Explanation of State Expenditures: *Summary:* Under the current higher education budget formula, the inclusion of additional resident students could affect higher education appropriations in future bienniums. There would be no fiscal impact experienced during FY 2016. The impact in later bienniums is probably minor, but would depend on the higher education formula used in the future.

Additional Information:

The current higher education budget formula uses the following factors to determine the biennial appropriation for each state educational institution: (1) overall degree completion; (2) at-risk student degree

completion; (3) high-impact degree completion; (4) student persistence; (5) remediation success; (6) on-time graduation; (7) an institution-defined productivity metric; and (8) the institution's base-year appropriation. The performance metrics are based on a 3-year rolling average to measure the change from the previous biennium. Due to the 3-year rolling average of the performance metrics, the impact of the bill on the state appropriations is expected to be minor and would not occur until the FY 2018-FY 2019 biennial budget. Additionally, any impact this bill may have on state educational institutions in the future will depend on the formula in existence at the time.

For FY 2016, 7% of the higher education budget is based on the performance metrics and 93% is based on the base-year appropriation.

The higher education operating budget recommended by the Commission on Higher Education for FY 2015 is about \$1.26 B per year.

Explanation of State Revenues: (Revised) *Summary:* This bill could decrease tuition revenue state postsecondary education institutions receive by approximately \$1.93 M during academic year 2015-2016. However, these immediate losses could be offset by \$463,000 to \$1,829,000 in new tuition revenue from potential increases in enrollment during academic year 2016-2017 before the bill sunsets. Over the next two years, this bill could have a net impact of decreasing state postsecondary tuition revenue between approximately \$105,000 to \$1,471,000.

The following table shows the estimated immediate tuition revenue loss during academic year 2015-2016 as well as the estimated net tuition revenue increase for academic year 2016-2017.

Education Institution	Tuition Revenue Loss During AY 2015-2016	Tuition Revenue Increase During AY 2016-2017
Ball State University	(\$229,000)	\$37,000 to \$147,000
Indiana University (All Campuses)	(\$1,000,000)	\$143,000 to \$564,000
Indiana State University	(\$40,000)	\$46,000 to \$181,000
Purdue University (All Campuses)	(\$587,000)	\$203,000 to \$804,000
University of Southern Indiana	(\$64,000)	\$28,000 to \$111,000
Vincennes University	(\$14,000)	\$6,000 to \$22,000
Total	(\$1,934,000)	\$463,000 to \$1,829,000

Additional Information:

Tuition Revenue Loss: This bill will allow all individuals who attended an Indiana high school for at least three years and either graduated or received a GED to pay the resident tuition rate at a state-funded college or university. The number of students who graduated from and attended an Indiana high school for a minimum of three years is unknown.

Based on information provided by state educational institutions for the 2014-15 academic year, a reported

458 current students graduated from an Indiana high school but pay nonresident tuition. Assuming these students are uniformly distributed based on the number of years they attended an Indiana high school, it is estimated there are 229 current students that graduated from an Indiana high school, attended an Indiana high school for at least three years, and are paying the nonresident tuition rate. We assume this is an annual cohort of students attending state educational institutions regardless of the change made by the bill.

The following table provides information on the impact of the bill and the estimated tuition loss per state-funded institution. The estimated loss of tuition revenue was calculated using the difference between the resident and nonresident tuition rate for each institution.

Education Institution	Students Affected	Annual Tuition Loss
Ball State University	15	\$229,000
Indiana University (All Campuses)	71	\$1,000,000
Indiana State University	19	\$40,000
Ivy Tech	0	--
Purdue University (All Campuses)	105	\$587,000
University of Southern Indiana	15	\$64,000
Vincennes University	4	\$14,000
Total	229	\$1,934,000

The information reported by state education institutions could include nonimmigrant aliens who graduated from an Indiana high school and who pay the nonresident tuition rate. These individuals would not qualify for the resident tuition rate. To the extent this information includes nonimmigrant aliens, the fiscal impact will be less than the estimated \$1.93 M annual tuition loss.

(Revised) *Future Increase in Enrollment*: The state of Texas granted resident tuition rates to students who lived in the state for at least three years before either graduating from a Texas high school or receiving a GED diploma in the state (Texas HB 1403-2001). The state's Higher Education Coordinating Board conducted a study assessing the enrollment impact of granting resident tuition rates to these students. The study found that between 2001 and 2004, there was an average annual increase of 113% in the number of HB 1403-2001 eligible students enrolling in postsecondary institutions, with most enrollments occurring in the state's community college system.

It is expected that Ivy Tech would benefit from the bill's requirements, but Ivy Tech reported no students would immediately be impacted by the bill. It is estimated that this bill could increase enrollment at Ivy Tech institutions, but any additional tuition revenue is indeterminable.

The following table reports the estimated increase in tuition revenue by institution from enrollment induced by the bill. The estimate is based on the enrollment impacts experienced in Texas and assume that the institutions are not at maximum enrollment capacity.

Education Institution	AY 16-17 Estimated New Students	AY 16-17 New Tuition Revenue
Ball State University	4 to 17	\$37,000 to \$147,000
Indiana University (All Campuses)	20 to 80	\$143,000 to \$564,000
Indiana State University	6 to 22	\$46,000 to \$181,000
Purdue University (All Campuses)	30 to 118	\$203,000 to \$804,000
University of Southern Indiana	4 to 18	\$28,000 to \$111,000
Vincennes University	1 to 5	\$6,000 to \$22,000
Total	65-260	\$463,000 to \$1,829,000

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State educational institutions.

Local Agencies Affected:

Information Sources: Cynthia Brinker, University of Southern Indiana; Diann McKee, Indiana State University; John Grew, Indiana University; Jeff Terp, Ivy Tech; Tim Eaton, Vincennes University; Susan Williams, Purdue University; Bernie Hannon, Ball State University; Reported resident and nonresident tuition rates for Indiana postsecondary education institutions; Carole Keeton Strayhorn, *Undocumented Immigrants in Texas: A Financial Analysis of the Impact to the State Budget and Economy*, Special Report of the Texas Comptroller, December 2006; Jennifer Ma and Sandy Baum, College Board Advocacy and Policy Center, *Trends in Tuition and Fees, Enrollment, and State Appropriations for Higher Education by State*, July 2012.

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